Association for Monitoring and Advocacy of Government Pensions (AMAGP)

NPO Registration No: 198-822

SEMPER VIGILANS

The Association for Monitoring and Advocacy of Government Pensions: A volunteer independent group of pensioners and civil servants concerned about the long term viability of the GEPF and sustainability of its return on investments.

www.AMAGP.co.za

GEPF Watchdog - Waghond

GEPF Forum

GEPF your investment, your future

NEWSLETTER NO 18 of 2021

AMAGP – Association for Monitoring and Advocacy of Government Pensions
BOT – Board of Trustees [of the GEPF]
FSCA – Financial Sector Conduct Authority [previously the FSB]
GEPF - Government Employees' Pension Fund
PIC – Public Investment Corporation
PSA – Public Servants' Association
ROI – return on investment
SCOF – Standing Committee on Finance
SCOPA - Standing Committee on Public Accounts
SOE – state owned entity

The Government Employees Pension Fund (GEPF) is Africa's largest pension fund. We have more than 1,2 million active members, in excess of 450 000 pensioners and beneficiaries, and assets worth more than R1,61 trillion. GEPF is a defined benefit pension fund that was established in May 1996 when various public sector funds were consolidated. Our core business, which is governed by the Government Employees Pension Law (or GEP Law), as amended, is to manage and administer pensions and other benefits for government employees in South Africa. *https://www.GEPF.gov.za/ dd 7 October 2021*

We remain in dire need of dedicated persons to share in the burden of AMAGP. People who aren't afraid to work for the common good of members and beneficiaries of the Fund. We'd like to think that you, dear reader, are one those dedicated persons.

IMPORTANT TO GEPF MEMBERS AND PENSIONERS

MANY GEPF MEMBERS AND PENSIONERS HAVE SPENT THEIR ENTIRE ADULT LIFE IN A CAREER IN ONE OF THE MANY STATE DEPARTMENTS OR WILL STILL DO SO. PENSIONERS DESERVE TO BE ABLE TO RELAX WITH THE EXPECTATION THAT THEIR PENSION WILL GROW AND KEEP UP WITH THE INCREASE IN THE COST OF LIVING.

THERE IS A GROUP OF PENSIONERS GIVING FREELY OF THEIR TIME AND ENERGY TO KEEP TRACK OF THE WAY OUR PENSION FUND IS BEING MANAGED BY THE GEPF BOT AND THE PIC. THIS GROUP ESTABLISHED A NON-PROFIT ORGANISATION, THE ASSOCIATION FOR THE MONITORING AND ADVOCACY OF GOVERNMENT PENSIONS, KNOWN BY THE ACRONYM AMAGP

AMAGP RESEARCHES AND MONITORS THE PERFORMANCE OF OUR PENSION FUND TO MAKE SURE THAT OUR PENSIONERS RECEIVE THEIR RIGHTFUL PENSION AND THAT THE FUND STAYS SUSTAINABLE. ALSO, TO EXPOSE ANY ATTEMPT AT USING THE FUND FOR ANY OTHER REASON THAN FOR THE BENEFIT OF ITS MEMBERS AND PENSIONERS. THE AMAGP HAS ALSO COMMUNICATES WITH AND RECEIVES CO-OPERATION FROM OTHER INSTITUTIONS THAT HAVE AN INTEREST IN THE GEPF, FOR THE PURPOSE OF PROTECTING AND PROMOTING THE INTEREST OF ALL THE GEPF MEMBERS AND PENSIONERS.

WHEN AMAGP NEGOTIATES ON BEHALF OF MEMBERS AND PENSIONERS OF THE GEPF, IT NEEDS A LARGE MEMBERSHIP, TO LEND CREDIBILITY TO ITS NEGOTIATIONS AND TO PROVE REPRESENTATION.

GEPF MEMBERS AND PENSIONERS ARE KINDLY REQUESTED TO JOIN THE AMAGP BY COMPLETING AN APPLICATION FORM THAT IS AVAILABLE ON THE WEBSITE www.amagp.co.za, OR THE FACEBOOK PAGE GEPF WATCHDOG. THE APPLICATION FORM CAN BE COMPLETED ONLINE OR PRINTED. APPLICATION FORMS WILL BE SENT BY E-MAIL TO ANY PERSON THAT SUPPLIES AN E-MAIL ADDRESS.

ENQUIRIES CAN BE ADDRESSED TO AS KLEYNHANS AT as.kleynhans@outlook.com

The Editor's Word

Note. The Fund's investment values used in the newsletters are from the 2019 GEPF Annual Report, said values probably in 2018 terms as the figures in the Fund's AR are usually a year or more old.

VOTE ON 1 NOVEMBER!!

Reminding all Fund members and pensioners to vote on 1 November. Keep in mind if you don't vote you can't complain about what the 'government' does, as you didn't vote! This is an opportunity that doesn't come that often.
Vote for the party [DA, Freedom Front, EFF, ACDP, Inkatha, UDM, Good, etc] or movement [ANC is still a movement and not a party] that you think will ensure your Fund remains viable for you to retire comfortably.
If you didn't vote you can't complain about the 'government'! If you do vote, you can complain because it isn't doing what you voted for it to do.

There is a difference between being retired and being on pension. Being retired means you aren't in the formal work force anymore and don't intend to be, but you don't necessarily have a pension. Being on pension means that you have a monthly pension being paid to you, but you aren't necessarily retired. You are a pensioner, possibly with a second remunerated career. Or totally retired with pension.

Now for news from the media

SAA and Kenya Airways signed a memorandum of understanding, evidently with a long term goal of creating a pan-African carrier. They seem to have similar troubled backgrounds.

A by the way referral to Africa Oil as part of a Public Protector investigation, one of the GEPF investments that little good is known of. Subsequently, nothing more is known except it seems be part of Black empowerment and not income for the GEPF.

Sanral is in the news. Its CEO discussed some of the many aspects Sanral is facing and busy with, especially the vagueness in its mandate. It doesn't sound good if Sanral is only now looking at its mandate.

The pension funds adjudicator explains some of the problems facing pension funds with withdrawals and complaints. Not really relevant to the GEPF but gives us an idea that the GEPF isn't the only pension fund with challenges.

We 'acquired' a R1,7bn office block in Waterfall in Johannesburg, increasing the GEPF know property portfolio to about R16,3bn and 171 properties.

Growthpoint is one of our large investments. Read about its view about current and prospective office property. Good and not so good news.

Absa and Sanlam are combining some of their investment services. Quite a large transaction I believe, subject to control regulations, etc.

Then some Titibits to keep your thoughts alive about some of our Fund's other investment's happenings.

There are two articles about pension reforms that you should read, to wrap you mind about what is happening on the pension front in South Africa. There are many different actions in different places that, together, paint an unattractive picture.

NEWSNUUSNEWS NUUSNEWSNUUS

Synopsis

Out of the fire, into flying Pan-African

The Continent Issue 64
2 October 2021

South African Airways and Kenya Airways have signed a memorandum of understanding with the long-term goal of creating a pan-African carrier. Both airlines have been bedevilled by financial and administrative woes in recent years. SAA only took to the skies last week after being grounded for over a year due to bankruptcy proceedings.

Comment

My word, no mention in the SA Media! Logical if you have only 6 aircraft. And Kenya Airways has been linked to the bidding for SAA.

Synopsis

No evidence that Mkhize received kickback on oil loan, Public Protector finds

Dr. Zweli Mkhize.
Photo: Daily Sun

29 September 2021
Fin24

The Public Protector found no evidence that former health Minister Zweli Mkhize interfered in a R220 million loan that the PIC to Afric Oil, nor that he demanded a "facilitation" fee.

In a report released late on Wednesday, the Public Protector said it investigated media reports that alleged Mkhize, as Treasurer-General of the ANC, facilitated the granting of the loan to the local oil company in 2016, and demanded a R4,5mn fee in return.

Both Mkhize and the PIC denied these claims, and the Public Protector found no evidence that Mkhize had "improperly interfered" in the PIC's procedures to grant the loan. It also found that Mkhize did not "improperly receive a payment for facilitating such loan".

The PP said its finding was supported by the fact that the PIC did not reject an initial loan application to Afric Oil, as was alleged in some of the reports. It said that this was "a critical component of the complaint", as the allegation was that Afric Oil only approached Mkhize for assistance after an initial loan application was declined by the PIC.

It also found that the loan to Afric Oil followed the necessary due diligence and approval processes.

At the time of the allegations, PIC said that it regarded Afric Oil as an important emerging fuel supplier, the first black-empowered entity in the petroleum industry, and said that the loan would be used to grow its logistics division, the acquisition of storage facilities and the provision of working capital.

Comment

Afric Oil is one of those murky investments the PIC and GEPF don't want to comment on, discuss or reveal. Meaning a near certain total loss.
And the Public Protector is well known for her predilection for findings that don't hold up in court.

Synopsis

Sanral loses R14bn in project funding opportunities

Moneyweb
By Roy Cokayne
1 Oct 2021

The impasse over the controversial e-toll scheme and doubts about the financial viability of the South Africa National Roads Agency (Sanral) resulted in the agency losing two key project funding opportunities totalling R14bn.

Sanral CEO Skhumbuzo Macozoma said the agency lost the opportunity to obtain R7bn each from the New Development Bank (NDB) and the Multilateral Investment Guarantee Agency (Miga) and expressed concern about the uncertainty over the future funding policy of Sanral. "On the toll side, you are seeing some severely constrained capex programmes due to, of course, the anti-toll sentiment in our country," he told a Consulting Engineers South Africa (Cesa) Infrastructure Indaba this week.

"The key question that tends to hold us back is a chosen funding policy for infrastructure projects in this country," he added.

Macozoma stressed that road funding clarity is absolutely critical and a decision must be taken on this issue.

Bonds 'will mature'

He said Sanral has not been to the bond market since 2016, which "is not good" but has had some successful private placements.

But Macozoma said the most important issue confronting Sanral on the toll side is that it has obtained a lot of money from bond markets and "at some point those bonds will mature". "We are entering an era where for the next three or four years there is going to be some big bond maturities, which means we need access to finance for us to be able to do that.

"The current uncertainty in terms of funding policy is not assisting and we need to be able to deal with that," he explained.

Funding allocations

Organisation Undoing Tax Abuse (Outa) CEO Wayne Duvenage, said National Treasury had between 2016 and 2020 already allocated Sanral R10,8bn for the Gauteng Freeway Improvement Project (GFIP).

It accounts for about 51% of the freeway bonds for the overpriced upgrade and is on top of another grant of R70bn, an annual average of R14bn a year, for the same period for non-tolled roads. "This has been the solution practised for the past number of years and should continue to remain, as the entire country benefits from Gauteng's freeway upgrade," he said.

Time is being wasted

Macozoma stressed that on the funding side, Sanral has "reaffirmed government as the major funder for Sanral being a Schedule 3A entity and we will not abandon that". "Are we going to use private finance to develop road infrastructure or are we not? Because we are wasting time. There are a lot of opportunities that are slipping us by because of this uncertainty."

But Macozoma noted Sanral will to continue pursuing private finance "even in the face of criticism and rejection of the toll model" and has seen opportunities to generate its own revenue. He confirmed Sanral is looking to tap into the Infrastructure Fund to be able to access funding to deliver on some of its projects.

Macozoma said 14 Sanral projects were gazetted by Minister of Public Works and Infrastructure as the new strategic infrastructure projects (Sips) and Sanral also has projects in the previous Sips, including the N3 and N2 corridors

Expertise to share

He pointed out that Sanral has also decided to share its expertise "as a targeted objective" with South Africans as well sub-Saharan Africa. "There is quite a lot of experience we have amassed over the years we have now put together into advisory capabilities that we are sharing with other roads authorities across our continent and beyond," he said.

Macozoma said the future of Sanral is important because it manages a 22 253km national road network, with a collective asset value of about R413bn. "It's an asset that you don't want to let go of in the country and collectively it is said to be the single biggest asset that we own in our country," he noted.

Macozoma questioned if Sanral will remain a 25 000km road network authority, as it projects in its Horizon 2030 strategy, or if it is "going to expand to 50 000km or 70 000km, as other corners of our country are proposing, because we seem to be the most geared to be able to deliver".

Sanral's mandate

He said the future of provincial and local municipal roads authorities needs to be determined. Regulatory bureaucracy also needed to be unlocked as it affects how Sanral executes its work, such as environmental, mining and National Treasury guarantee approvals, to "free" Sanral to be able to deliver on the mandate it has been given.

Macozoma added that Sanral has initiated processes to review its mandate because it believes there are certain limiting provisions in the Sanral Act.

New funding mechanisms?

Duvenage said it will be interesting to see what Sanral's new funding models or mechanisms are other than tolling. He said Outa has a sense that Sanral does not want to cancel the e-toll scheme because it wants to use the National Transaction Clearing House (NTCH) to start allowing people to pay into an account to access parking.

Sanral issued a new tender in August 2019 for the operations and maintenance of an open road tolling system in Gauteng, a NTCH and a violations processing centre. That tender was subsequently cancelled and reissued in 2020. The NTCH is currently almost exclusively used for clearing e-toll collections for various toll operators and toll plazas.

But Sanral previously confirmed it is in the process of repackaging and expanding the function of its NTCH to provide a host of other mobility services, such as vehicle licence renewal payments, cashless parking, fuel payments and to use Sanral's customer service centres for driving licence renewals.

Duvenage questioned how Sanral, whose mandate is to build and maintain roads on behalf of the state, can get involved in parking and work in Africa. He said more transparency is needed when Sanral starts playing in these new areas.

"Sanral is not the Southern Africa or the Africa National Roads Agency. It is the South African National Roads Agency and it is a state-owned entity responsible to the South African citizens. "It shouldn't be going into Africa and, if it is going to, it needs to be a separate state-owned entity that the state must set up and motivate because this is not where Sanral, which we finance, should necessarily be going."

Comment

We have about R24,4bn in SANRAL bonds, which have to mature sometime. Is the Fund going to use the maturity pay out to buy more of the same bonds or use it for our pensions? Would be nice to know.
Interesting the uncertainty about 'funding policy'? Isn't clear in the SANRAL legislation? Then 'involved' in southern Africa?
Questions about provinces' and municipalities' roles?
Expanding into other services? Why and what for?
Diluting and diffusing SANRAL's mandate from national roads to fritter away funds into other's pockets?
Am I being too cynical?

Synopsis

Pension fund withdrawal problems top complaints handled by adjudicator

IOL
By Martin Hesse
4 October 2021

The majority of complaints finalised by the Pension Funds Adjudicator in its financial year to the end of March 2021 were from people who had not yet received or had only partially received their retirement savings on leaving their pension fund.

In its annual report released this week, the office of the adjudicator reveals that of the 10 940 complaints finalised in the 2020/21 financial year, 52,9% related to retirement fund withdrawal benefits.

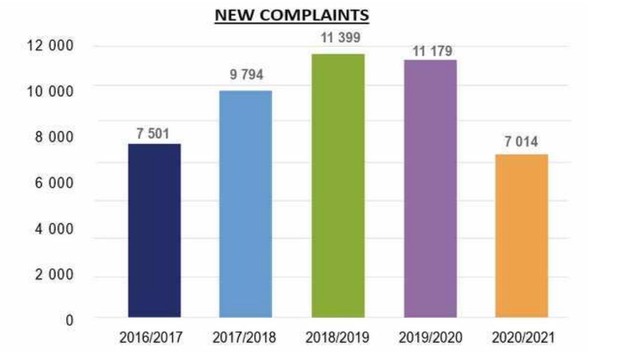
The delayed payment or non-payment of retirement benefits may be because of slack administration practices by the fund administrator, the documentation on a member being incomplete or out of date, or, more concerningly, because the member's employer failed to pay over contributions to the fund or even failed to register the member with the fund in the first place, while deducting the contributions from the member's salary.

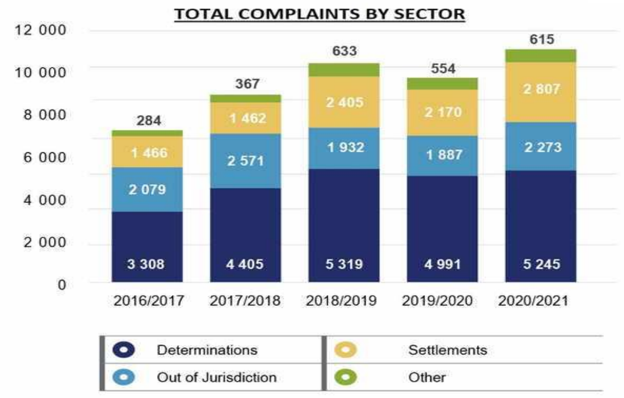
Complaints relating to the non-payment of retirement fund contributions by employers (non-compliance with section 13A of the Pension Funds Act) came second at 23,9%, according to the annual report.

Another area of complaints, that appears to take up much of the time of Pension Funds Adjudicator Muvhango Lukhaimane and her staff, is the distribution of death benefits. Fund trustees often have an onerous task in deciding to whom these benefits should be distributed, and disputes often arise. Almost 7% of complaints finalised related to the payment of death benefits

Lukhaimane said clarity continues to be provided to funds by her office, the Financial Services Tribunal, the various High Courts and the Supreme Court of Appeal on the interpretation of section 37C.

"It is most prudent that funds and administrators invest in training initiatives within their boards of management or organisations to ensure that technical expertise or knowledge on how to deal with death benefit payments is shared and maintained. The lack thereof is apparently clear from the issues that get misinterpreted, as these are often not complex at all nor do they raise novel issues," Lukhaimane said.





Biggest offender

The Private Security Sector Provident Fund (PSSPF) remains the biggest source of complaints, according to the report. This fund serves the employees of the innumerable private security firms around the country, and has long been a cause for concern among the regulators.

"This regulatory action is an on-going and confidential process, in terms of section 251 of the Financial Sector Regulation Act, and while the FSCA cannot disclose any further details about its findings, it can assure the public that the matter is receiving due attention," the FSCA said in a recent release.

Treating Customers Fairly

In the report, Lukhaimane said she had ongoing concerns that financial services providers were failing to abide by the Treating Customers Fairly (TCF) outcomes.

Regulated services providers are expected to deliver the following six TCF outcomes to their customers throughout the product life cycle, from product design and promotion, through advice and servicing, to complaints and claims handling:

1. Customers can be confident they are dealing with firms where TCF is central to the corporate culture.

2. Products and services marketed and sold in the retail market are designed to meet the needs of identified customer groups and are targeted accordingly.

3. Customers are provided with clear information and kept appropriately informed before, during and after point of sale.

4. Where advice is given, it is suitable and takes account of customer circumstance.

5. Products perform as firms have led customers to expect, and service is of an acceptable standard and as they have been led to expect

6. Customers do not face unreasonable post-sale barriers imposed by firms to change products, switch providers, submit a claim or make a complaint.

"All in all, [the failure to deliver] the top four outcomes represents 97,3% of all complaints. It can, therefore, be safely concluded that funds, administrators and employers need to put measures in place to improve on TCF outcomes and they must be held accountable for this in order to improve the member experience," Lukhaimane said.

Comment

Take note of the challenges other pension funds face, it isn't just the GEPF. The GEPF has similar challenges as the queries on the

Fb GEPF Forum clearly show. It would be interesting to see the statistics from the GPAA.

Synopsis

The PIC now owns Deloitte's R1,7 billion offices in Joburg

Businesstech
Staff Writer
7 May 2021

The PIC has concluded a purchase agreement to acquire 100% of the leasehold rights of the R1,7bn office building in Waterfall, currently being let by Deloitte as an anchor tenant.

The PIC said that the asset has been acquired on behalf of the GEPF and was previously owned by Attacq and Atterbury. "The acquisition will be beneficial to our client, as it is underpinned by a strong lease covenant for more than 10 years," said Abel Sithole, PIC CEO.

The PIC said that the acquisition supports its drive for investments that are underpinned by ESG (environmental, social and governance) factors and will increase our exposure to premium grade assets in key strategic nodes.

The property conforms to the sustainable Leadership in Energy and Environmental Design (LEED) and has been configured with environmentally friendly design features and technologies to ensure cost savings using consumer recycled content, solar panels, water harvesting and filtration systems amongst other technologies.

Formally completed in April 2020, the premises includes comprise 42 500m² of quality workspace, which will consolidate Deloitte's current Woodmead and Pretoria offices in a single central location.

The building has space capacity for close to 5 000 people and consists of a ground floor with six stories of offices and four basement parking levels including nearly 2 000 parking bays.

Comment

With the "strong lease covenant" it should be a good investment.

Synopsis

Growthpoint: Office market will never be the same due to Covid-19

Moneyweb
By Roy Cokayne
5 Oct 2021

Growthpoint's R1,2bn 144 Oxford Street office development in Rosebank was completed in February 2020. Image: Supplied

The office market will never be the same because of the impact of the Covid-19 pandemic in forcing many people to work from home, says JSE-listed Growthpoint Properties. It also warns that the feasibility of new property developments is being eaten away by administered costs, which makes committing to investments in new projects extremely difficult.

Growthpoint chief operations officer Engelbert Binedell said Growthpoint developments are "on hold" for a number of reasons. "There aren't tenants. The economy is in such a poor state and there has been such a big overhang of developed space that our developments are on hold unless it's a slam-dunk deal with a client or in the hospital- or student residential space," he told the Consulting Engineers South Africa (Cesa) Infrastructure Indaba last week.

Binedell said the cost of occupancy is impacting Growthpoint's rentals across all of its sectors as a result of increased administered costs because "tenants can only pay so much".

Imbalance

He said if a prospective tenant can only afford to pay R100 a square metre and 60% of that goes towards administered costs, such as rates and taxes, electricity and water usage charges and Construction Industry Development Board (CIDB) levies, "it makes the feasibility for new developments almost impossible".

Binedell said Growthpoint, as a property owner, wants and needs as many people as possible back at their offices, but the reality is that a lot of people can do their jobs from home and prefer to work from home.

But Binedell said if the economy grows at the rates that are projected, there will be a slow take-up of that space.

Hybrid model

PwC chief economist Lullu Krugel said the property market is unfortunately not out of the woods yet and has not figured out what things will look like in the future. Krugel said the good thing is that people are slowly but surely returning to their offices, but everywhere it is a hybrid office model.

"We want to be able to work from home sometimes and to be able to come into the office on others. That will definitely happen." But I don't know if it will ever go back to what we have seen before. It looks unlikely at this point of time that we will have people spending five days a week in the office," she said.

Not all doom and gloom

Erwin Rode, CEO of property services firm Rode & Associates, previously told Moneyweb he believed the impact on the commercial property sector of employees working from home is probably being overestimated. "It's not as if 50% of people are going to work from home in the future."

"My guess is that not more than 20% of people who previously worked in the office will still work from home after the pandemic," he said. Rode also questioned the sustainability of companies allowing their employees to work from home.

"It's all very well to work from home while you know your staff and they know you and your company culture but as people resign and you appoint new people and they start working from home, it's more difficult to create a company culture and train people," he said.

'Absolutely exorbitant' costs

Binedell referred to the impact of the "absolutely exorbitant bulk contributions" that need to be paid on the financial viability of new projects.

He said Growthpoint pays about R1,2bn in rates and taxes to local authorities a year, about R1,4bn in electricity charges, R128mn for water usage and R5mn in CIDB levies.

He said Growthpoint has also invested to create 11MW of solar energy, which is growing and its target is to increase this to 20MW. It costs Growthpoint R25mn a year just to keep its buildings running.

Infrastructure an issue

Binedell said infrastructure to a very large extent has already failed, although there are pockets of excellence. He said in certain geographic nodes and certain towns you can see that things are working and you can see that is where investment is flowing towards.

Binedell said Growthpoint has disinvested from nodes where it had problems with infrastructure. It found it impossible to manage its properties because of infrastructure challenges and the cost of occupation becoming increasingly more expensive.

He said Growthpoint would like to engage even more with local authorities and those people who are responsible for infrastructure because it believes that by working together they can make a difference.

However, Binedell said Growthpoint remains optimistic – and because the economy is coming from a low base, believes there are still fantastic opportunities going forward.

Comment

We have about R9,7bn in Growthpoint, which makes this briefing valuable to understand the office property market. And our investments in property.

Synopsis

Sanlam and Absa to join forces in investments

6 October 2021
INCE|Community
The Finance Ghost

Absa will exchange its investment management business (creatively named Absa Investments) for a 17,5% shareholding in Sanlam Investment Holdings. This is an interesting tie-up between the two businesses, which also includes a distribution agreement that will take Sanlam's investment products to the Absa client base.

There's a further deal for the investment platform business, in which Sanlam's subsidiary Glacier will look to acquire Absa's market linked investment service provider (LISP) business. If that goes ahead, Glacier will then become the preferred LISP for certain Absa intermediaries.

The LISP deal is a suspensive condition to the Absa Investments transaction, so this is a package deal.

Between Sanlam Investment Holdings and Absa Investments, there is over R1trn in assets under management, administration and advice. Sanlam contributes R879bn, which is why Absa would only receive a 17,5% stake in the business.

The critical point here is that Sanlam Investment Holdings would be further entrenched as one of South Africa's largest black-owned asset managers, as 25% of the business is held by African Rainbow Capital Financial Services.

Glacier has over R280bn in assets under administration, which is much larger than Absa's LISP business with R66bn in assets under administration. The combined platform will have around R350bn in assets and will benefit from the larger distribution reach.

The agreements to collaborate on distribution will last for 10 years with an option to renew thereafter.

This is a category 2 transaction, so shareholders will not be asked for their opinion on whether this is a good idea or not. It's a different story for the regulators though, with various approvals needed before this deal will be closed.

Comment

We have about R 775mn in African Rainbow, R9bn in Absa, about R20,4bn in Sanlam.
It is interesting to know that Absa and Sanlam will each own a piece of the other. It seems such cross ownership is common in big business.

Synopsis

TITBITS

InceConnect
4 October 2021
The Finance Ghost

Motus is bolstering its aftermarkets parts business with the acquisition of FAI Automotive plc in the UK, a business which has been around for more than 50 years. This strategic push makes sense given the uncertain future role of new car dealerships in an electric vehicle market.
The cash outflow for Motus is £27,5mn, considerably higher than FAI's net asset value (excl. cash) of £11,2mn, but thankfully less than 3% of Motus' market cap, so

shareholders shouldn't lose any sleep. Motus doesn't disclose FAI's net profit but indicates that annual operating profit is above £3,2mn.
We have about R2,2bn in Motus.

In other transactional news, **Attacq** and **Equites** have concluded their transaction for some of Attacq's industrial properties. I've written previously on my approval for this deal as an Attacq shareholder.
We have about R983mn in Attacq.

5 October
Putprop announced that it has closed a deal to acquire the property in Sandton which houses its head office. The seller is Growthpoint and the deal value was R15mn, higher than the valuation at 30 June 2020 of R13,4mn that was prepared by Broll. It's rather odd that an office property would have increased in value in the past year, but I'm not a property expert.
We have about R9,7bn in Growthpoint.

Sibanye-Stillwater announced that its share buyback programme has been concluded. 5% of its ordinary shares have been repurchased since June at a total purchase price of R8,08bn and an average share price of R54,72, which is significantly higher than the current price of R46,10. Sibanye is down over 28% in six months, with the buyback programme as a strong show of faith by the management team that the current price is undervalued.
We have about R2,9bn in Sibanye.

A note on **Massmart's** acquisition of OneCart. This should improve Massmart's ability to fulfil online orders. Interestingly, the platform will continue to fulfil orders at other retailers as well.
We have about R927mn in Massmart.

Comment
Some information to keep thoughts current on our investments.

Synopsis

What proposed pension changes will actually mean for South Africa

BusinessTech
by James Stent
GroundUp
6 October 2021

Jane is 66. She was formally employed for over 35 years, earning R13,000 a month at the end of her career, and contributing to a pension fund. Now she is retired – and she has no pension. Her story is common.

Alex van den Heever of the Wits School of Governance says the government does not track the number of people who run out of benefits on retirement or soon after. But the average income of those who retire is a small fraction of what they earned while working.

According to a 2020 report from BankservAfrica, about 350 000 people like Jane over the age of 60 get no income directly, from government, from work or from a pension. According to the Green Paper itself, ‘about 1 million older persons are excluded in the existing state benefits’.

For Jane, 40% of her final net income would be at least R5 200 per month. It’s not a fortune but it would give her security and allow her to be less dependent on her family.

Critics of the plan are worried about giving this critical responsibility to a state that is incapable and corrupt. They also warn of the consequences for the insurance industry.

Jane did not earn income for nine years while she was raising her four children. After getting divorced in her 40s, she worked for 12 years at a large company that provided a defined contribution retirement fund, and one day a week as a freelancer.

At 56, Jane cashed out what she could of her retirement fund to pay off debts accumulated by raising children. By law, what was left had to be transformed into an annuity meaning she would have received R250 per month from this on retirement. But at 65, when she was made redundant at the outbreak of the

Covid-19 pandemic, she cashed in the small annuity.

Her final net income was R13 000. If she was just supporting herself while she worked, she would be in the top 3% income earners in South Africa.

Yet in retirement she has no income. Because she owns her flat, she does not qualify for the older person's grant. She is dependent on her adult children.

The measures in the controversial Green Paper on Comprehensive Social Security and Retirement Reforms would change things dramatically for Jane and millions of people like her, and also for the 3,8 million people who rely on the older person's grant.

These proposals are almost two decades in the making, since the release of the report of the Taylor Committee into a social security system for South Africa in 2002.

The Green Paper proposes the establishment of a National Social Security Fund (NSSF), to which all workers earning over R1 667 a month would have to contribute. The new fund would provide retirement, survivor, disability and unemployment benefits, pulling all these together under one roof.

Those who currently contribute to a private scheme would shift to the NSSF. If they earn more than the ceiling, they could choose to send further contributions to retirement to an NSSF Default Fund, to an occupational fund, or to their choice of private pension fund.

Those who do not currently pay into retirement funds, and who qualify, would now be contributing to their own retirement, and would be guaranteed a pension, if they survived that long. And if they died before 65, the fund would provide a payout to their family, including a flat rate for funeral expenses.

Low-income earners would have their contributions subsidised from the National Treasury. This, according to the Green Paper, "will encourage formalisation of employment and contribute more broadly to protecting decent terms and conditions of work."

The Green Paper proposes that everyone over the age of 60 should now receive this grant as the base level of social protection for the elderly with no means test. Removing the means test would reduce the administrative burden, and part of the payments of the grant would be recovered by the state in income tax.

The NSSF would pay as a defined benefit retirement scheme. This means that the level of benefits that a pensioner is entitled to is based on a formula, and can be a flat rate or, as in the Green Paper, earnings-related. This means any investment risk is borne by the fund not by the worker.

Many people in South Africa rely on defined contribution retirement schemes. Here the benefits received on retirement depend on the value of the contributions the worker made, plus investment returns. The contributor pays for the privilege of putting aside their own money, and if they wish to secure a lifelong income on retirement, an annuity, they must pay dearly for this. These arrangements place the risk on the individual; if the stock market crashes at retirement, you're out of luck.

The Green Paper proposes that two-thirds of a worker's retirement savings over the R276 000 ceiling must be annuitised – that is, converted to a life-long income. At present, pensioners have to pay hefty fees when they convert their savings to annuities. The NSSF would run its own annuity to stimulate competition with the private sector. At present, women tend to receive lower annuities than men due to their longer lifespans – this would be equalised.

The Green Paper says that workers who have worked a full career can achieve an income in retirement of "at least 40 per cent of their earnings over the course of their career," through the NSSF. This is double what the average worker can expect at present, according to estimates for South Africa by the Organisation for Economic Cooperation and Development.

The contributions of today's workers will partially finance today's pensioners and partially contribute to an accumulation of assets to meet the needs of the pensioners of tomorrow.

In the event of a workplace injury, death or unemployment, this same fund would pay out the worker, or their beneficiaries.

What would this mean for Jane?

First, Jane would receive the Older Person's Grant each month. At current rates, that would be R1 890 per month.

Then, she would receive benefits from the NSSF, according to a formula still to be calculated. The Green Paper's intention is that pensioners should get 40% of their final earnings (instead of between 17% and 24% as is currently estimated to be the case), including the Older Person's Grant.

For Jane, 40% of her final net income would be at least R5,200 per month.

It's not a fortune but it would give her security and allow her to be less dependent on her family.

Critics of the plan are worried about giving this critical responsibility to a state that is incapable and corrupt. They also warn of the consequences for the insurance industry.

Comment

Does this example sound familiar?
Awesome ideas, but it tells us that we don't have to plan for retirement, the state will. This relegates us all to the same level of mediocre retirement. On the other hand, many who worked diligently for their whole lives and couldn't save enough may be provided for to some extent. You decide.

Synopsis

Assessing SA's pension reforms against global trends

Business Day
6 October 2021
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Not saving enough for retirement is a worldwide problem. Countries around the world have introduced substantial changes to their pension fund systems in efforts to address low retirement savings rates.

At the same time, the Covid-19 pandemic has created a need for short-term relief from economic hardship through dipping into long-term savings, and some social security systems are projecting deficits to occur sooner than pre-Covid-19 estimates.

In 2021, several interventions were implemented globally. Some of the highlights include:

- The US proposed changes to the way employers contribute to retirement plans for employees with student loans.
- The UK is gradually increasing its state pension age. The aim is for the state pension age to rise to 68 between 2037 and 2039.
- Norway proposed plans to expand mandatory occupational pension coverage to more private sector workers.
- Malaysia introduced an early withdrawal option under its provident fund programme.
- Australia increased the minimum employer contribution rate under its mandatory occupational pension programme.

These changes acknowledge that people are not saving enough for retirement, and SA's own pension fund system is not exempt from global trends and the challenge of low retirement savings rates. Analysis Liberty conducted into the behaviour of retirement fund members under its administration, showed only 6% of members preserve their retirement savings when leaving employers.

Like its global counterparts, SA has set out to reform the retirement savings landscape with the Default Regulations in 2019 and, more recently, the T-day legislation to align the tax and benefit payment treatment of different retirement saving vehicles, namely pension and provident funds. More changes are coming down the line.

In summary:

Proposed changes to Regulation 28

Regulation 28 of the Pension Funds Act determines the type and limits of the different asset classes in which a retirement fund can invest. This regulation has been updated many times over the past decade with the aim of improving retirement outcomes for retiring members.

To protect members' retirement interests and exposure to complex investment risk, discussions are taking place to refine the use of hedge funds, securities lending and derivatives as part of a retirement fund's investible universe.

To remain relevant to global developments, consultation papers have been published. These include the use of cryptocurrencies in a retirement fund's investment strategy. Then there is the highly debated proposal on expanding limits for the infrastructure asset class which will use retirement funding as a potential source to promote infrastructure investment in SA.

Benefit Projection: Draft Conduct Standard

At present, there is no standard to ensure consistency on how retirement benefit projections are communicated to retirement fund members. There are concerns regarding members' understanding of their benefit projections. The proposed conduct standard aims to educate members to have realistic future expectations of their retirement savings.

This is done by detailing when benefit projections should be provided, what disclaimers to include, quantifying the projected lump-sum and estimated retirement pensions, explaining the relevant risks and assumptions and outlining the possible variation in the projections using different scenarios.

Default Living Annuity Draw-down Standard

Almost 90% of Liberty-administered retirement fund members annuitised their savings at retirement and purchased a living annuity during the past 15 years. In line with the industry norm, this implies that most pensioners run the risk of their chosen drawdown being unsustainably high causing them to deplete their savings too soon and receive no income in later years.

To mitigate this risk, the FSCA is expected to publish a standard detailing the maximum allowable living annuity drawdown rates for retirement funds. This standard will guide a trustee board on how to derive and continuously monitor conservative and sustainable recommended living annuity drawdown rates for their fund's membership.

The promulgation of most of the above pending conduct standards is expected later in 2021. These changes must be viewed with other proposed social and retirement reform initiatives, such as changes in minimum social grants and early withdrawal of retirement savings, to form a holistic view as to how SA intends to address its challenges. The trade-offs between the need for short-term financial relief and support vs a sustainable retirement income will remain a complex balancing act.

Comment

We have to keep a close eye on the ever closer creeping overarching all included 'government' pension fund. Small changes in legislation eventually leads to a large one to consolidate all the small ones. Our Fund remains at risk of being eventually swallowed up by 'government's' good intentions and then squandered in the name of 'the greater good', to the detriment of those who paid for it and was intended to care for.

THE GEPF WATCHDOG/WAGHOND FACEBOOK PAGE

The GEPF Watchdog/Waghond Facebook page is the social media platform of the non-profit organisation "The Association for the Monitoring and Advocacy of Government Pensions" (AMAGP). The AMAGP has only one agenda point – safeguarding the GEPF against looting and mismanagement.

Most of our GEPF members are content with the fact that pensioners still get their monthly pension (and some increases annually), and they are convinced by GEPF newsletters and ambitious briefings by the GEPF Board of Trustees that our Pension Fund is in a superb condition. There is, however, another side to the coin! The AMAGP newsletters and press releases tell a different story.

Our Facebook and AMAGP are together more than 57 000 members and continually growing, but this isn't enough. However, this continued growth confirms the ever increasing concern pension fund members and pensioners have about the future of their pensions.

As a member of the GEPF (working or retired), this Facebook page will keep you updated about any developments affecting the health of YOUR Pension Fund. It also provides you with the opportunity to participate in the debate and raise issues of concern. Although it is not part of the core business of this page, you may also raise matters regarding the day to day management of your pension administration, which we will gladly refer to the Government Pensions Administration Agency (GPAA). Please read the articles that are posted on the wall, BUT also "re" and "Files". You can get further information on our website – there is no reason to be in the dark regarding our/your Pension Fund, and what you must do as a member.

This page will only have any value for you if you join the AMAGP. Note there are no membership fees. You don't have to do any work for the AMAGP if you do not wish to do so – BUT your membership will add one more voice to AMAGP convince the government our pensions remain ours, not theirs to misuse. You can complete the online registration form under "Announcements" (English and Afrikaans) at the top of the Facebook page, or you can visit our website at www.AMAGP.co.za, and complete the online application form that you will find under "Membership".

We remain in dire need of dedicated persons to share in the burden of AMAGP. People who aren't afraid to work for the common good of members and beneficiaries of the Fund.

The AMAGP does not want any GEPF member to leave the Fund, because it still is the best pension fund in the RSA – BUT, we as members and owners of the Fund have to protect it against abuse.

Welcome to our page – please help us to get thousands more GEPF members to join this page and the AMAGP, so that we will have the required bargaining power. **We are the owners of the GEPF**, and we have the right and the power to force the GEPF Board of Trustees, and the PIC, to manage and invest OUR money in a responsible and profitable way. To the advantages of members and pensioners, not looters and mismanagers!

VRYWARING

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